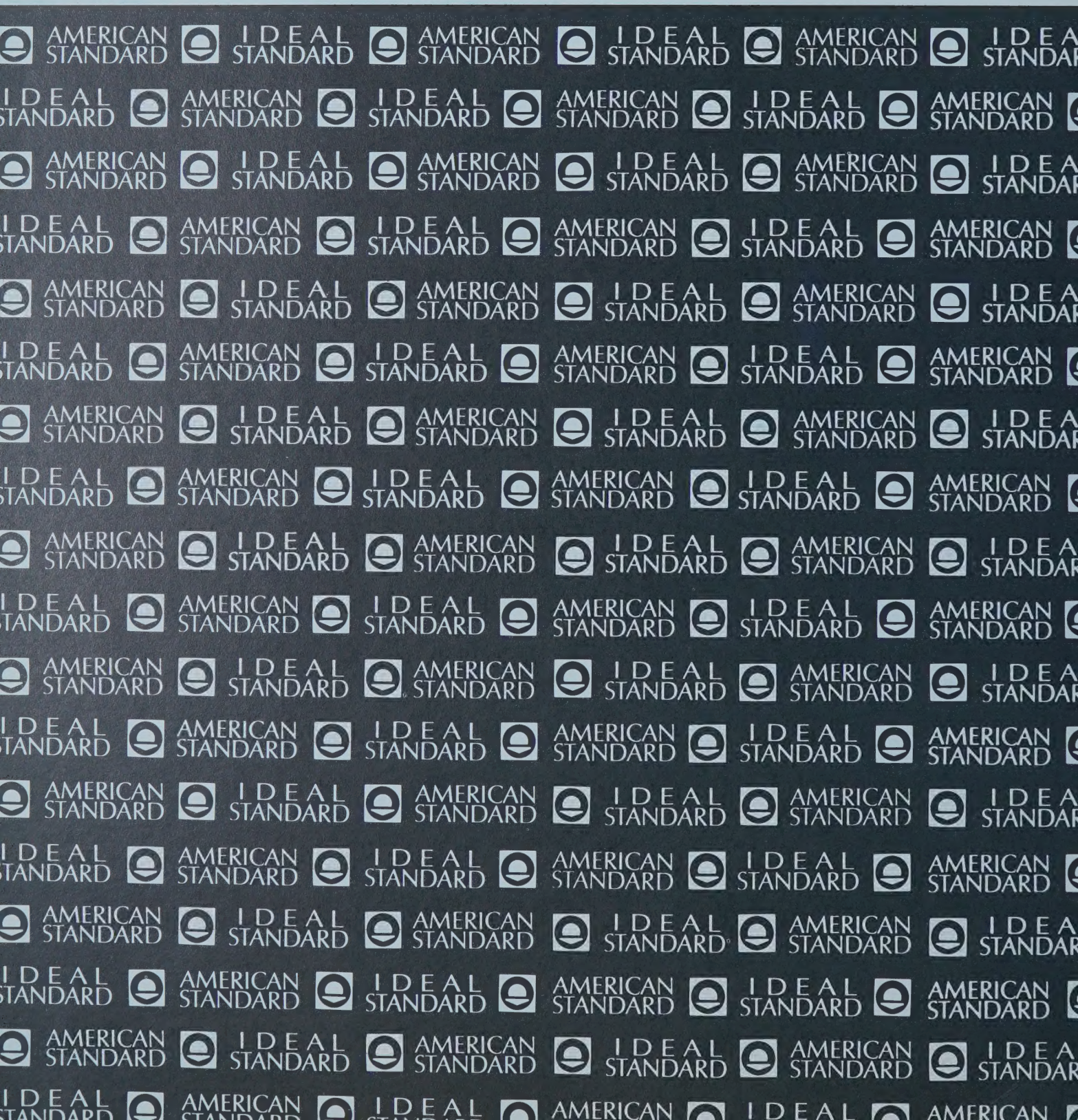


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AMERICAN
STANDARD

1966 Report to Shareholders





The name and people for leadership in

PLUMBING • HEATING • AIR CONDITIONING
SPECIALIZED INDUSTRIAL PRODUCTS

REPORT TO SHAREHOLDERS 1966

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TRADEMARK IS MODERNIZED, SIGNATURES ARE RESTYLED FOR BETTER IDENTIFICATION

A program to increase the effectiveness of our identification in both domestic and world markets was launched in 1966. A continuing objective is to emphasize that whether our operations are carried on under the name American-Standard or the name Ideal-Standard, we are a truly international company.

The foundation of the program is the modernized trademark, highlighted on the cover. The basic elements of the former trademark have been retained, but the design has been simplified. Its classic appearance gives it a timeless quality, increases its memorability, and makes it effective for use in every application, from the smallest product to the largest building.

A modern, easy-to-read lettering style has been adopted for our two tradenames, and formal signature styles incorporating both the trademark and the tradenames have been created, as illustrated on the adjoining page.

As the program progresses, recognition of us as an international company serving markets throughout the world will steadily increase.

MANAGEMENT

Board of Directors

Joseph A. Grazier, *Chairman of the Board, American-Standard*
Paul M. Augenstein, *Executive Vice President, American-Standard*
E. Newton Cutler, Jr., *Senior Vice President, First National City Bank*
William D. Eberle, *President, American-Standard*
Adrain R. Fisher, *Director, Johns-Manville Corporation*
John C. Griswold, *Partner, Eastman Dillon, Union Securities & Co.*
John M. Kingsley, *President, Bessemer Securities Corporation*
George P. MacNichol, Jr., *Director, Libbey-Owens-Ford Glass Company*
Leonard P. Pool, *President, Air Products and Chemicals, Inc.*
Laurence C. Ward, *Executive Vice President, American-Standard*
Henry S. Wingate, *Chairman, The International Nickel Co. of Canada, Ltd.*
Herbert B. Woodman, *Chairman, Interchemical Corporation*

Corporate Officers

Joseph A. Grazier, *Chairman*
William D. Eberle, *President*
Paul M. Augenstein, *Executive Vice President*
John K. Miller, *Executive Vice President*
Laurence C. Ward, *Executive Vice President*
Frank J. Berberich, *Vice President*
James L. Briggs, *Vice President*
Victor P. Buell, *Vice President, Marketing*
John T. Burwell, Jr., *Vice President, Research*
William H. Chaffee, *Vice President*
David A. DeWahl, *Vice President, General Counsel and Secretary*
Gerald F. Gamber, *Vice President, Personnel*
Harry W. Siefert, *Vice President and Controller*
Sydney A. Woodd-Cahusac, *Treasurer*
Joseph R. Allen, *Assistant Controller*
Frederick W. Jaqua, *Assistant Secretary*
John F. Warner, *Assistant Treasurer*
Henry H. Steiner, *Tax Counsel*

EXECUTIVE OFFICES

40 West 40th Street, New York, N. Y. 10018

STOCK TRANSFER OFFICES

Preferred and Common Stocks:
Office of the Corporation,
50 West 40th Street, New York, N. Y. 10018

Common Stock:
The Corporation Trust Company,
15 Exchange Place, Jersey City, N. J. 07302

REGISTRAR

Preferred and Common Stocks:
First National City Bank, New York, N. Y.

CERTIFIED PUBLIC ACCOUNTANTS

Arthur Young & Company, New York, N. Y.

COUNSEL

Sullivan & Cromwell, New York, N. Y.

FINANCIAL HIGHLIGHTS

	1966	1965
Sales	\$568,991,000	\$552,646,000
Income before taxes on income	19,747,000	33,493,000
Net income	10,347,000	18,393,000
Per common share	1.01	1.81
Cash dividends — preferred	286,000	302,000
— common	10,000,000	10,019,000
Per common share	1.00	1.00
Depreciation	19,628,000	18,717,000
Expenditures for property, plant and equipment	18,622,000	29,173,000
Working capital	154,392,000	157,596,000
Current ratio	2.7 to 1	2.7 to 1
Common stockholders' equity (after special charges to earned surplus of \$17,900,000 in 1966)	256,553,000	274,501,000
Per common share	25.64	27.47
Shares outstanding at year end	10,004,675	9,992,425
Number of common stockholders	61,292	64,405
Number of employees	37,100	37,200

American-Standard is an international company serving markets throughout the world. Financial reports consolidate the operations of all United States units and foreign subsidiaries, except those in the development stage or subject to exchange restrictions. Associated companies, in which we own less than a majority interest, are not consolidated.





The name and people for leadership in

PLUMBING • HEATING • AIR CONDITIONING
SPECIALIZED INDUSTRIAL PRODUCTS

New President, William D. Eberle, center, and Chairman Joseph A. Crazier, right, on an inspection tour in one of our European plants.

TO THE SHAREHOLDERS

Consolidated net sales in 1966 were \$569,000,000, exceeding the \$553,000,000 of sales in 1965. The net increase resulted primarily from inclusion for the full year of the facilities in Mexico and in Germany that were added late in 1965, and from increases in sales in the Air Conditioning, Amstan, Industrial and Controls divisions in the United States. Increases in these operations more than offset reductions in volume in France, Italy and in our domestic Plumbing and Heating Division.

Our largest market, both in the United States and overseas, is new residential construction and residential modernization. Activity in these areas is dependent not only on the needs and desires of individuals, but also, to a high degree, on the availability and price of money and credit. The year 1966 was characterized by the most stringent monetary and credit conditions that have existed for many years. Conditions in the principal money markets became so severe about the middle of the year that new housing starts in the United States fell precipitously to the lowest total number of starts in the last twenty years. Somewhat similar effects were felt in England, France, Germany and Switzerland, but there they were aggravated by slower general economic activity. The adjacent chart of housing starts in the U. S. over recent years shows the severity of the drop.



Sales of the U. S. operations and foreign operations were as follows:

	1966	1965
U. S.	\$368,464,000	\$351,257,000
Foreign	200,527,000	201,389,000
	<u>\$568,991,000</u>	<u>\$552,646,000</u>

EARNINGS

Net income in 1966 amounted to \$10,347,000, or \$1.01 per common share, compared to \$18,393,000, or \$1.81 per common share, in 1965. The largest profit decline occurred in our major European operations, where decrease in housing demand, competitive factors, and climbing production costs had a severe impact on profit margins. In most European countries, immediate reductions in employees in order to increase efficiency or to respond to lower demand are extremely difficult because of social legislation. In

the United States, profits were affected not only by the severe drop in housing starts, but also by some extended labor stoppages and by production problems in our Industrial Division.

Comparative earnings in the U. S. and foreign operations were as follows:

	1966	1965
U. S.	\$ 4,784,000	\$ 7,949,000
Foreign	5,563,000	10,444,000
	<u>\$10,347,000</u>	<u>\$18,393,000</u>

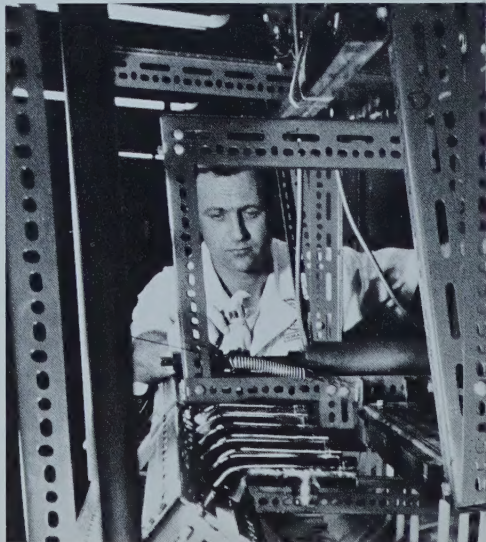
DIVIDENDS

Dividend payments on common stock in 1966 were continued at the rate of \$1.00 per share, the same rate as in 1965. Total dividend payments on the common stock in 1966 amounted to \$10,000,000 and to \$10,019,000 in 1965. Dividends of \$286,000 and \$302,000 were paid to the holders of preferred stock in the respective years.



Final development of the non-slip surface for American-Standard bathtubs—attractive, durable, easy-to-clean, and sanitary—required much experimentation. Here a technician conducts one experiment.

New designs of plumbing fittings undergo severe laboratory testing to ensure excellence in performance.



MARKETS AND PRODUCTS

In continental European markets the drop in demand, the shifts in consumer preference and increased competition have been accompanied by pressures to change traditional distribution systems and methods and have increased distribution costs. Our German subsidiary has already taken steps to broaden the distributor base in order to meet this situation. Subsidiaries in several other countries are making tests of other plans for the same purpose.

A continuing promotional campaign was begun in the United States covering our total range of air conditioning products. Built around the theme, "The Air of Good Living," the campaign utilizes national and local advertising, special events, promotional activities and publicity to broaden the awareness of our participation in the residential, commercial and industrial air conditioning market.

Bathroom Research

The design and use of plumbing fixtures received more public attention in 1966 than perhaps in any previous year. The interest was sparked by a Cornell University study on the bathroom, which was principally financed and sponsored by American-Standard. Despite the heavy emphasis in the report on technical physiological matters, the study was widely reported in newspapers and magazines and

drew broad reader interest. This study is only one of several methods we are using to pioneer in plumbing fixture design. Recent advances made by American-Standard include skid-resistant bathtubs, single-control fittings, and self-ventilating toilets.

We are also testing the use of materials other than vitreous china and enamelled iron and steel in the production of plumbing fixtures and fittings. These materials include plastics, stainless steel, high density porcelain and light weight metals. We already have found certain plastic materials suitable for use in the manufacture of many parts for plumbing fittings and valves. As we find synthetic materials which can be used more economically to produce our products and which can provide the performance standards we deem necessary or desirable, we shall use them. We shall continue our research and experimentation so that, whatever the materials used, we can provide product leadership, meet market demands and correctly inform consumers about the performance characteristics of the materials.

We are making steady advances in the application of more modern methods to the production of vitreous china fixtures, without, however, sacrificing any important product characteristics. The conveyor casting line picture on the following page is an example of this progress.

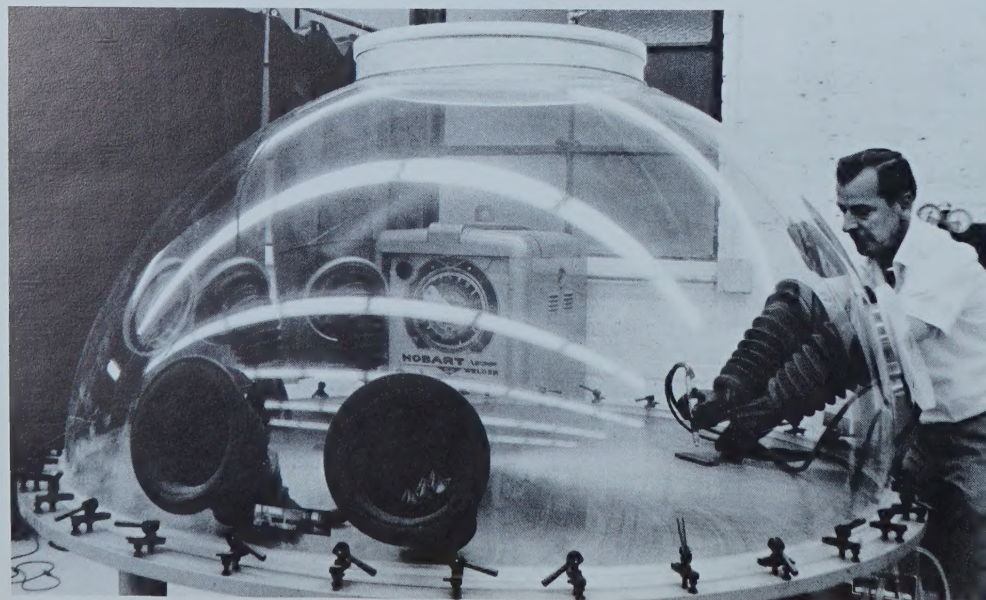
New Products

Among the new products placed on the market this year were a line of residential furnaces equipped with solid state controls, which provide more constant room temperature; sealed combustion furnaces for apartments and modernization work; new designs and colors in kitchen sinks; a new line of shell and tube heat exchangers for the petro-chemical industry; and several new control devices, including a shock-resistant thermometer for naval use, a four-mode electronic control for refrigerator trucks, a boiling point indicator for heavy engine cooling systems, and new appliance valves.

PROPERTY, PLANT AND EQUIPMENT

New manufacturing facilities for the Aero Research Instrument Department were provided in 1966, and construction of a pottery plant for the Greek company was commenced. At the end of the year plans were announced for provision of added capacity for the production of heat exchangers in Buffalo, N. Y. and of air conditioning and refrigeration components in Wilmington, N. C.

The company expended a total of \$18,622,000 for additions to, and improvements of, facilities in 1966. Of this amount, \$6,617,000 was spent in the United States



Conveyor line casting of vitreous china plumbing fixtures, shown here, permits the production of more fixtures in less time and in less space than the traditional bench casting method which is being replaced.

Some specialized instruments require welding in an inert atmosphere, as is being done in this special equipment in our new Aero-Research Instruments plant in Franklin Park, Illinois.

and \$12,005,000 was invested abroad. A comparative summary of property at December 31 follows:

	1966	1965
Land	\$ 11,426,000	\$ 11,313,000
Buildings	121,384,000	118,975,000
Machinery and equipment	228,395,000	217,751,000
	<u>361,205,000</u>	<u>348,039,000</u>
Less reserves	219,860,000	192,638,000
	<u>\$141,345,000</u>	<u>\$155,401,000</u>

See comments regarding revaluation of certain facilities on page 11.

EMPLOYEE RELATIONS

The generally unsettled labor relations climate that existed throughout the United States in 1966 had its effect on American-Standard labor negotiations during the year. Of the 37 new contract negotiations with labor unions in the United States, three resulted in strikes of extended duration. These were at our Louisville, Baltimore and North Tonawanda plants, and they had a substantial impact on earnings.

The potential impact of work stoppages in 1967 is less, since the number of contracts expiring during the year and the

number of employees covered by them are substantially smaller than in 1966.

MANAGEMENT

Two Directors retired during the year and a third announced that in accordance with the Board's age policy he would not stand for re-election when his term expires at the 1967 Annual Meeting.

Those retiring in 1966 were David L. Luke and John C. Linsenmeyer. Mr. Luke had served as a Director since 1956, contributing much to the company during that period. Mr. Linsenmeyer retired from the Board in connection with his retirement as an employee of the company. He had served with American-Standard for 35 years, had been a Director since 1957, and was an Executive Vice President when he retired.

Adrain R. Fisher, who also contributed much as a Director since 1959, will retire from the Board in April 1967, in accordance with the established age policy for outside Directors. Mr. Frederic N. Schwartz, Chairman of the Executive Committee of Bristol-Myers Company, has been nominated to fill the vacancy resulting from Mr. Fisher's retirement.

Elected to the Board during the year were John M. Kingsley, President of Bessemer Securities Corporation, and William D. Eberle, who also became President of

American-Standard on September 1, 1966. As President, Mr. Eberle became chief operating and administrative officer; and Joseph A. Grazier continued as Chairman and chief executive officer.

Other changes were as follows:

John K. Miller, Executive Vice President, became Assistant to the Chairman for special international projects.

J. L. Briggs, Vice President, assumed responsibility for International Operations.

William H. Chaffee, Vice President, assumed responsibility for four U. S. operating units—Advanced Technology Division, Aero Research Instrument Department, Controls Division and Industrial Division.

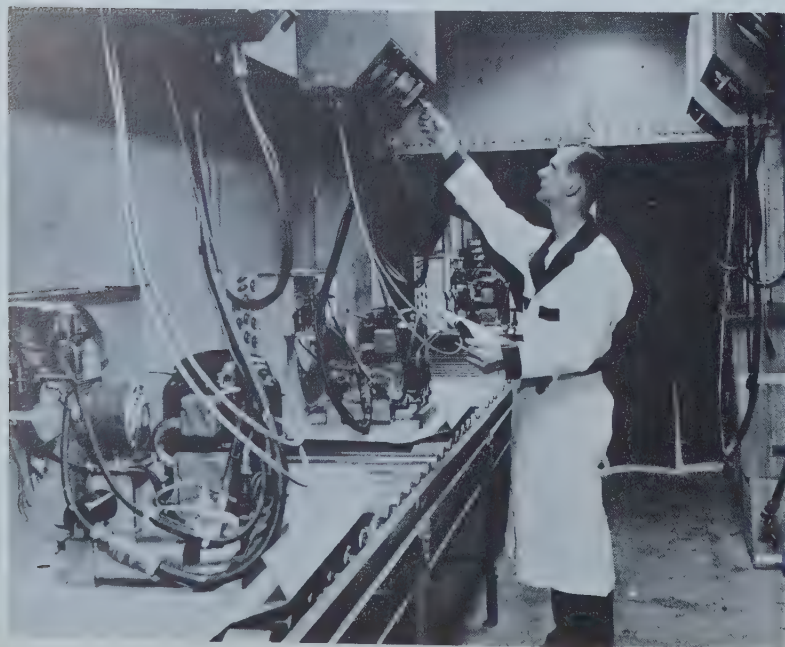
David A. DeWahl became Vice President and General Counsel in addition to being Secretary; Harry W. Siefert became Vice President in addition to being Controller; Robert L. Cleveland became head of the Manufacturing Services Division; William H. Mansfield became head of the Purchases and Traffic Division; Henry H. Steiner became Tax Counsel.

In International Operations, the following changes were made:

Vincent M. Curcio, Jr., became Managing Director of the newly-formed Greek company; Joachim Henschke became Managing Director of the German company, succeeding Gerhard Lau, who retired after 50 years of service; Eric D. Nicholson became Managing Director of the English com-



Two art teachers in the Elyria, Ohio, school system inspect the results of an art contest stimulated by the consumer education phase of our national Air of Good Living campaign. Elyria is the home of our Air Conditioning Division.



New cooling units for central residential air conditioning systems undergo a rigorous final testing before jackets are put in place.

pany; Sabahattin Sunguroglu became Managing Director of the newly-formed Turkish company; Guy van Zanten became Managing Director of the Belgian company, succeeding Paul Lebrun, who became Chairman of the Board; Jean Paul Wallner became Managing Director of the French company, succeeding Rene Yribarren, who was killed in an automobile accident.

WORKING CAPITAL

Working capital at the year end amounted to \$154,392,000, a decrease of \$3,204,000 from 1965.

A comparative summary of working capital follows:

	1966	1965
U. S.	\$102,945,000	\$108,670,000
Foreign	51,447,000	48,926,000
	<u>\$154,392,000</u>	<u>\$157,596,000</u>

A consolidated statement of working capital is shown on page 16.

INVENTORIES

Inventories at the close of 1966 amounted to \$131,828,000, an increase of \$3,298,000 over 1965.

A comparative summary follows:

	1966	1965
U. S.	\$ 78,259,000	\$ 75,455,000
Foreign	53,569,000	53,075,000
	<u>\$131,828,000</u>	<u>\$128,530,000</u>

Inventories by classification were:

	1966	1965
Finished goods	\$ 68,608,000	\$ 64,382,000
Work in process	23,570,000	24,669,000
Raw materials	39,650,000	39,479,000
	<u>\$131,828,000</u>	<u>\$128,530,000</u>

LITIGATION

In October of 1966, a Federal Grand Jury returned an indictment against this corporation and other members of the plumbing fixture industry under the Sherman Act, charging restraint of trade activities. A companion Government civil suit was also filed under that Act on the same matter seeking injunctive relief. As an outgrowth of the Government suits, three treble damage civil suits, for unspecified amounts,

have since been filed against the corporation and other members of the plumbing fixture industry.

It is the long-standing policy of the corporation that it and its employees strictly observe the anti-trust laws. We do not believe that the company or its employees have been guilty of illegal activities. Accordingly, we have pleaded "not guilty" to the indictments and have denied the charges in the civil actions in which pleadings have been filed. No reserve for these cases has been provided in the financial statements. Trial of any of the cases cannot be expected for some time.

REVALUATION OF CERTAIN PRODUCT LINES AND FACILITIES

Severe contraction in market demand, such as occurred in the past year, has significant impacts on the life of product lines, especially in the light of constantly rising wage and raw material costs, narrowing profit margins and technological changes. Consequently, after review of certain operations both in the U. S. and abroad, we have undertaken a program involving substantial modification of certain products and a phasing out of others. The program will require the consolidation or closing of certain facilities.

It also requires the reduction of the carrying value of certain plants to an amount which it is expected will be recoverable out of future production. The Board of Directors has provided a reserve of \$15,000,000 (net of related taxes) out of the accumulated earned surplus to cover estimated losses incurred and to be incurred and to reduce the carrying value of plants involved in implementing the program.

GULFSTAN CORPORATION

During the year we took over as a wholly-owned subsidiary Gulfstan Corporation, a company in which we previously had held a fifty percent stock interest. Gulfstan had become almost entirely an engineering and contracting company in the field of water and waste systems for public bodies. The need for a change became obvious as the company began to develop substantial losses instead of the forecasted profits. When we took over management and full ownership we found it advisable to discontinue substantial portions of the operations and provide for related losses by a charge to earned surplus of \$2,900,000 net of related taxes.

TREASURY STOCK

No purchases of common stock were made by the company in 1966, and 12,250 shares of common stock held in the treasury were delivered to key employees upon the exercise of stock options. At

December 31, 1966 a total of 1,705,259 common shares were held in the treasury.

Purchases of 7,135 shares of preferred stock were made during the year.

INCOME TAXES

The company's United States income tax returns for all years through 1964 have been examined and settled with the Internal Revenue Service. The liability for taxes on income covers both United States and foreign subsidiaries and the company believes that adequate provision has been made for all years not yet examined and settled.

OUTLOOK

Whatever general economic patterns develop in the United States and Europe in 1967, our largest market, the home building industry, will be slow in recovering from the severe down-turn it experienced in 1966. In the U. S., housing starts in the first half of 1967 are projected to be at the low rate of the last half of 1966. We expect that the rate of starts will increase throughout 1967 as a result of increased availability of mortgage funds and special governmental actions designed to stimulate housing. It is doubtful, however, that the total number of starts for 1967 in the U. S. will exceed the 1966 total. Abroad, we anticipate that housing construction overall will be about the same as in 1966, though it will vary country by country.

Despite the special problems of the construction industry, we anticipate better results for American-Standard in 1967 than in 1966. We expect to accomplish this as a result of stronger marketing efforts, introduction of new products, increased emphasis on higher efficiency and cost reduction, reduction of product lines, and a closer relation of expenses to market conditions. The extent of our improvement will depend in part on how quickly home building increases and upon how the general economic activity affects our commercial and industrial markets.

We have confidence in the future of the construction industry and in our own ability to contribute to and participate in its growth. There is great world-wide need for new and better housing. As this potential demand is realized, the markets for our products will grow—and we are prepared to take full advantage of this opportunity.

On behalf of our Board of Directors, we express our appreciation for the support of all the people who own, work for, or are associated with the company. The continued loyalty of our shareholders, employees and customers in a difficult year was most gratifying.

Sincerely yours,

JOSEPH A. GRAZIER, *Chairman*
W. D. EBERLE, *President*

February 17, 1967

CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

	Year ended December 31	
	1966	1965
Income:		
Sales	\$568,991,000	\$552,646,000
Other income	904,000	1,224,000
	<u>569,895,000</u>	<u>553,870,000</u>
Cost and expense:		
Cost of goods sold	442,524,000	420,386,000
Selling and administrative	76,027,000	71,365,000
Research and development	9,691,000	8,896,000
Depreciation	19,628,000	18,717,000
Interest	2,278,000	1,013,000
	<u>550,148,000</u>	<u>520,377,000</u>
Income before taxes on income	19,747,000	33,493,000
Taxes on income (including deferred taxes 1966—\$75,000; 1965—\$462,000)	9,400,000	15,100,000
Net income	10,347,000	18,393,000
Earned surplus:		
Balance at beginning of year	187,642,000	179,570,000
	<u>197,989,000</u>	<u>197,963,000</u>
Less:		
Estimated expenses (net of related taxes) resulting from revaluation of certain product lines and facilities (See page 11)	15,000,000	—
Estimated loss (net of related taxes) on discontinuance of a substantial portion of the operations of Gulfstan Corporation (a consolidated subsidiary) (See page 12)	2,900,000	—
	<u>17,900,000</u>	<u>—</u>
Cash dividends:		
Preferred	286,000	302,000
Common	10,000,000	10,019,000
	<u>10,286,000</u>	<u>10,321,000</u>
Balance at end of year	<u>\$169,803,000</u>	<u>\$187,642,000</u>

Reference is made to accompanying notes on page 17.

CONSOLIDATED BALANCE SHEET

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

ASSETS

At December 31

	1966	1965
Cash	\$ 19,583,000	\$ 29,625,000
Marketable securities, at cost which approximates market	1,786,000	2,517,000
Accounts receivable, less allowance for losses (1966, \$2,233,000; 1965, \$3,134,000)	83,194,000	82,912,000
Inventories (See page 11) (Note 2)	131,828,000	128,530,000
Prepaid expenses	6,468,000	5,272,000
Total current assets	242,859,000	248,856,000
Investments in associated companies and unconsolidated subsidiaries, at cost	5,099,000	4,896,000
Property, plant and equipment, at cost less accumulated depreciation and provision for losses on disposal (1966, \$219,860,000; 1965, \$192,638,000) (See page 7)	141,345,000	155,401,000
Future income tax benefits	9,864,000	1,593,000
Other assets	6,354,000	7,873,000
	<u>\$405,521,000</u>	<u>\$418,619,000</u>

LIABILITIES
At December 31

	1966	1965
Loans payable	\$ 9,829,000	\$ 8,179,000
Accounts payable and accrued liabilities	68,752,000	63,973,000
Taxes on income	9,886,000	19,108,000
Total current liabilities	88,467,000	91,260,000
Loans payable, less current portion (Note 3)	23,351,000	20,965,000
Reserve for expenses resulting from revaluation of certain product lines and facilities	7,677,000	—
Deferred taxes on income (arising principally from accelerated depreciation)	5,873,000	7,918,000
Minority interests in foreign subsidiaries	5,099,000	4,769,000
Reserve for foreign operations	14,906,000	14,898,000

CAPITAL STOCK AND SURPLUS

Preferred stock—7% cumulative; \$100 par value, redemption price and preference on liquidation \$175 per share; authorized and outstanding 1966, 35,949 shares; 1965, 43,084 shares (Note 7)	3,595,000	4,308,000
Common stock—\$5 par value; authorized 15,000,000 shares; issued 11,709,934 shares	58,550,000	58,550,000
Capital surplus (Note 7)	58,791,000	59,081,000
Earned surplus	169,803,000	187,642,000
	290,739,000	309,581,000
Common stock held in treasury, at cost (1966, 1,705,259 shares; 1965, 1,717,509 shares)	30,591,000	30,772,000
	260,148,000	278,809,000
	<u>\$405,521,000</u>	<u>\$418,619,000</u>

Reference is made to accompanying notes on page 17.

CONSOLIDATED STATEMENT OF WORKING CAPITAL

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

	Year ended December 31	
	1966	1965
Source:		
From operations:		
Net income	\$ 10,347,000	\$ 18,393,000
Depreciation	19,628,000	18,717,000
Deferred taxes on income	75,000	462,000
	30,050,000	37,572,000
Disposals of property	1,177,000	1,770,000
Borrowings	2,386,000	7,656,000
	<u>33,613,000</u>	<u>46,998,000</u>
Disposition:		
Capital expenditures	18,622,000	29,173,000
Cash dividends	10,286,000	10,321,000
Surplus charge	6,594,000	—
Increase in other assets	—	3,176,000
Purchase of capital stock	1,003,000	1,112,000
Investments in associated companies and unconsolidated subsidiaries	203,000	506,000
Other transactions	109,000	(130,000)
	<u>36,817,000</u>	<u>44,158,000</u>
Increase (decrease) in working capital	(3,204,000)	2,840,000
Working capital at beginning of year	157,596,000	154,756,000
Working capital at end of year	<u>154,392,000</u>	<u>157,596,000</u>
Represented by:		
Current assets	242,859,000	248,856,000
Current liabilities	88,467,000	91,260,000
	<u>\$154,392,000</u>	<u>\$157,596,000</u>

Reference is made to accompanying notes on page 17.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

1. All subsidiaries are consolidated except subsidiaries in the development stage or subject to exchange restrictions.

2. Inventories aggregating \$56,102,000 are stated on a last-in, first-out basis, which is less than current replacement cost. All other inventories are stated at the lower of cost or market, cost being determined in part on a first-in, first-out basis and in part on an average cost basis.

3. Loans payable at December 31, 1966 (excluding 1967 installments included in "Current liabilities") are as follows:

United States	
4 ³ / ₄ % Notes payable	
due October 1968	\$10,000,000
Foreign	
Loans due in various	
amounts to 1982 with	
interest ranging from	
3% to 9%	13,351,000
	<u>\$23,351,000</u>

4. Contributions to the Company's pension plans in 1966 totaled \$2,181,000 and \$2,038,000 in 1965.

5. The charge to earned surplus of \$17,900,000 (net of related taxes) has been applied, \$6,594,000, as a reduction of working capital, \$12,025,000, as a reduction of property, plant and equipment,

\$2,344,000 as a reduction of other assets and \$7,677,000 as a reserve for expenses; the aggregate of the foregoing items of \$28,640,000 has been offset by \$8,620,000 of future income tax benefits and \$2,120,000 of reduction in deferred income taxes payable.

6. Under the Company's Stock Option Plan, all options granted are exercisable on a cumulative basis over the life of the option. However, options granted after December 31, 1963 are exercisable only if (a) no previously granted options are held by the optionee or (b) previously granted and outstanding options held by the optionee are exercisable at prices lower than the price of the new option.

At December 31, 1966, outstanding options for 68,065 shares expire ten years after their various dates of grant; options for 75,100 shares, granted after December, 1963, expire five years after date of grant; options for 27,645 are for various terms shorter than ten years, expiring not more than three months after the normal retirement dates of the respective optionees.

Option prices may not be less than the fair market value on the date the option is granted, and options may not be granted after September 9, 1969.

The Company may deliver either unissued shares or shares acquired and held in its treasury.

Details of shares under option at December 31, 1966 and transactions during the year follow:

Balance at January 1, 1966	142,655
Terminated or cancelled	(20,095)
Granted	60,500
Exercised (at \$12.75 to \$17.25 per share)	<u>(12,250)</u>
Balance at December 31, 1966 (Exercise price \$12.75 to \$22.88 per share)	<u>170,810</u>
Shares purchasable	<u>75,455</u>
Available for future options:	
January 1, 1966	291,055
December 31, 1966	250,650

7. During the year the Company purchased 7,135 shares of its preferred stock at the aggregate cost of \$1,003,000 of which \$713,000 was charged to "Preferred Stock" and \$290,000 to "Capital Surplus."

8. Reference is made to page 11 with respect to certain litigation under the Sherman Act.

Report of Certified Public Accountants

The Shareholders and Board of Directors,
American Radiator & Standard Sanitary Corporation

We have examined the accompanying consolidated balance sheet of American Radiator & Standard Sanitary Corporation and subsidiaries at December 31, 1966, the related consolidated statement of income and earned surplus and the consolidated statement of working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of American Radiator & Standard Sanitary Corporation and subsidiaries at December 31, 1966, the consolidated results of their operations and the source and disposition of their consolidated working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY

New York, N. Y.
February 17, 1967

TEN YEAR SUMMARY *Dollar amounts in thousands except as indicated*

	1966	1965	1964
Sales			
U. S.	\$368,464	\$351,257	\$353,761
Foreign	200,527	201,389	205,170
Total	<u>568,991</u>	<u>552,646</u>	<u>558,931</u>
Net income			
U. S.	4,784	7,949	7,496
Foreign	5,563	10,444	13,174
Total	<u>10,347</u>	<u>18,393</u>	<u>20,670</u>
Per common share outstanding at each year end	1.01	1.81	2.03
Dividends paid on common stock	10,000	10,019	10,018
Per common share	1.00	1.00	1.00
Common stockholders' equity	256,553	274,501	267,268
Per common share	25.64	27.47	26.64
Working capital			
U. S.	102,945	108,670	102,532
Foreign	51,447	48,926	52,224
Total	<u>154,392</u>	<u>157,596</u>	<u>154,756</u>
Property, plant and equipment, net			
U. S.	76,665	85,074	89,238
Foreign	64,680	70,327	57,153
Total	<u>141,345</u>	<u>155,401</u>	<u>146,391</u>
Capital expenditures			
U. S.	6,617	7,412	7,367
Foreign	12,005	21,761	15,887
Total	<u>18,622</u>	<u>29,173</u>	<u>23,254</u>
Provision for depreciation			
U. S.	9,912	10,366	10,269
Foreign	9,716	8,351	7,210
Total	<u>19,628</u>	<u>18,717</u>	<u>17,479</u>
Employment costs			
U. S.	132,442	127,480	129,713
Foreign	76,945	74,376	69,340
Total	<u>209,387</u>	<u>201,856</u>	<u>199,053</u>
Number of employees			
U. S.	15,200	15,500	16,100
Foreign	21,900	21,700	20,700
Total	<u>37,100</u>	<u>37,200</u>	<u>36,800</u>



The name and people for leadership in.

PLUMBING • HEATING • AIR CONDITIONING
SPECIALIZED INDUSTRIAL PRODUCTS

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

1963	1962	1961	1960	1959	1958	1957
\$342,962	\$341,234	\$328,603	\$353,356	\$397,148	\$350,060	\$367,439
184,575	158,854	140,309	126,880	120,265	126,560	115,441
527,537	500,088	468,912	480,236	517,413	476,620	482,880
4,178	3,851	5,754	4,522	11,074	4,914	6,799
12,497	9,208	8,176	8,667	10,297	10,073	8,620
16,675	13,059	13,930	13,189	21,371	14,987	15,419
1.64	1.13	1.19	1.10	1.80	1.25	1.29
8,747	9,095	9,246	9,347	8,775	6,440	12,881
.80	.80	.80	.80	.75	.55	1.10
256,457	272,922	272,239	277,137	274,056	262,122	253,882
25.65	24.21	23.72	23.79	23.45	22.38	21.68
97,632	105,341	121,150	126,056	126,510	113,088	109,440
48,794	46,301	43,173	39,310	36,626	33,190	32,758
146,426	151,642	164,323	165,366	163,136	146,278	142,198
93,752	95,834	91,856	103,696	107,772	110,684	111,925
48,672	46,618	41,765	41,143	40,137	38,849	36,091
142,424	142,452	133,621	144,839	147,909	149,533	148,016
12,467	14,252	8,235	9,174	8,259	10,099	25,387
8,888	10,890	6,172	6,073	6,277	6,766	9,074
21,355	25,142	14,407	15,247	14,536	16,865	34,461
9,844	9,680	10,010	9,990	10,386	9,378	9,120
6,414	5,922	5,355	5,020	4,801	4,076	3,669
16,258	15,602	15,365	15,010	15,187	13,454	12,789
126,558	123,498	122,155	137,079	141,967	131,113	135,283
60,253	52,901	46,945	41,878	39,496	40,416	38,167
186,811	176,399	169,100	178,957	181,463	171,529	173,450
16,300	16,800	18,300	20,700	22,000	21,600	23,200
19,600	18,300	16,800	16,000	15,100	15,800	16,200
35,900	35,100	35,100	36,700	37,100	37,400	39,400

UNITED STATES OPERATIONS

Divisions

ADVANCED TECHNOLOGY DIVISION

369 Whisman Rd., Mountain View, Calif.

John H. Pamperin, *President*

AERO RESEARCH INSTRUMENT DEPARTMENT

9000 King Street, Franklin Park, Illinois

Norbert C. Vojta, *General Manager*

AIR CONDITIONING DIVISION

206 Woodford Avenue, Elyria, Ohio

Robert J. Berkshire, *President*

AMSTAN SUPPLY DIVISION

40 West 40th Street, New York, N. Y.

C. Gilmore Ruston, *President*

CONTROLS DIVISION

5900 Trumbull Avenue, Detroit, Mich.

Robert F. Schnoes, *President*

INDUSTRIAL DIVISION

8111 Tireman Avenue, Dearborn, Mich.

William H. Chaffee, *President*

PLUMBING AND HEATING DIVISION

40 West 40th Street, New York, N. Y.

Joseph J. Decker, *President*

TONAWANDA IRON DIVISION

River Road, North Tonawanda, N. Y.

Albert D. Bright, *President*

Subsidiary

GULFSTAN CORPORATION

1175 Northeast 125th Street, North Miami, Florida

William V. Sargent, *President*

INTERNATIONAL OPERATIONS

Subsidiaries

IDEAL-STANDARD G.m.b.H.

Vienna, Austria

Heinrich Jindra, *Managing Director*

IDEAL-STANDARD INDUSTRIAL S.A.

Brussels, Belgium

Earl P. Lions, *Managing Director*

IDEAL-STANDARD S.A.

Brussels, Belgium

Guy van Zanten, *Managing Director*

IDEAL-STANDARD S.A.*

Sao Paulo, Brazil

William A. Harris, *Managing Director*

AMERICAN-STANDARD PRODUCTS (CANADA) LIMITED

Toronto, Canada

Arthur R. MacCallum, *President*

IDEAL-STANDARD de CENTRO AMERICA S.A.

San Salvador, El Salvador

Carlos Arango, *Operations Manager*

IDEAL-STANDARD LIMITED

London, England

Eric D. Nicholson, *Managing Director*

IDEAL-STANDARD S.A.

Paris, France

Jean Paul Wallner, *Managing Director*

IDEAL-STANDARD G.m.b.H.

Bonn, Germany

Joachim Henschke, *Managing Director*

IDEAL-STANDARD, S.A.I.*

Athens, Greece

Vincent M. Curcio, Jr., *Managing Director*

IDEAL-STANDARD S.p.A.

Milan, Italy

Gian B. Zanchi, *Managing Director*

IDEAL-STANDARD S.A. de C.V.

Mexico City, Mexico

Adam E. McClellan, *Managing Director*

IDEAL-STANDARD (HOLLAND) N.V.

Amsterdam, Netherlands

Cornelius Santifort, *Managing Director*

IDEAL-STANDARD A.G.

Dulliken, Switzerland

Max Ullrich, *Managing Director*

IDEAL-STANDARD ISI SANAYII A.S.*

Istanbul, Turkey

Sabahattin Sunguroglu, *Managing Director*

Associated Companies*

APPLIED AIR CONDITIONING EQUIPMENT LTD.

Melbourne, Australia

Sir Kenneth Luke, *Chairman*

MANUFACTURAS de CERAMICA, S.A.

Medellin, Colombia

Herman Doehner, *Managing Director*

SANITARY WARES MANUFACTURING CORP.

Manila, Philippines

Ernesto V. Lagdameo, *Chairman and President*

*Operations not included in the consolidated financial statements.

PRODUCTS
Plumbing Products

Bathtubs, Shower Receptors, Lavatories,
Dental Lavatories, Toilets, Toilet Seats,
Bidets, Urinals
Faucets, Shower Heads, Fittings for All
Fixtures
Kitchen Sinks, Pantry Sinks, Service Sinks,
Food Waste Disposers
Drinking Fountains, Laundry Trays, Water
Softeners
Specialized Hospital and Medical Fixtures
and Fittings, Bath Lifts


Air Cleaning and Handling Products

Air Washers
Dust Collectors
Electrostatic Precipitators
Fans and Blowers

Heating Products

Warm Air Furnaces: Electric, Gas, Oil
Residential Cast Iron Boilers: Electric, Gas,
Oil
Baseboard Panels, Convectors, Radiators
Space Heaters: Electric, Gas
Electric Resistance Heating, Heat Pumps
Steel Boilers: High and Low Pressure, Steam
or Hot Water, All Fuels


Controls and Instruments

Aerospace Controls
Gages: Pressure, Temperature, Liquid Level,
Rate of Flow
Thermostats, Thermocouples, Thermometers
Pressure Transducers, Data Display Systems
Valves: Air Conditioning, Appliance,
Vending Machine
Pilot Tubes

Air Conditioning Products

Unitary Residential Split Systems, Apartment
House Air Conditioners
Central Station Air Conditioners,
Commercial Split Systems
Blowers, Fans, Ventilators
Compressors, Condensers, Liquid Chillers,
Evaporators
Fan Coil Units, Self-Contained Room Units
Industrial Refrigeration Equipment


Allied Products

Hydraulic Couplings (Fluid Drives)
Heat Exchangers
Utility Sets: Belt Drive, Direct Drive
Pig Iron
Custom Molded Plastic Products
Ceramic Tile

